SGH Property Income Fund

SG HISCOCK & COMPANY

30 April 2017

Fact Sheet

Investment objective	A dividend yield (before fees) which is higher than the S&P/ASX300 A-REIT Accumulation Index and a total return in excess of the CPI + 3% over rolling five year periods (before fees).		
Investments held	The Fund primarily invests in A-REITs and may also invest in real estate management, development and infrastructure securities. An A-REIT is a collective investment vehicle, which owns a portfolio of real property, thus providing for a wider form of ownership. A-REITs are listed on the ASX, and their prices fluctuate with supply and demand, as with equity instruments. As a rule A-REITs derive the bulk of their income from rental property income. The Fund generally seeks to invest in A-REITs that exhibit an above average proportion of their income sourced from rents rather than more volatile income streams such as third party construction or development. As a result of this strategy, the Fund's investment portfolio has very different weights to that of the S&P/ASX300 A-REIT Index. The S&P/ASX300 A-REIT Index has changed so much that there is now a significant concentration of the largest stocks in this index. The Investment Manager believes that the investment strategy for the Fund is likely to provide superior portfolio diversification (by setting a maximum portfolio weight for any individual security in the portfolio at 15%), and the potential for a higher income yield than the S&P/ASX300 A-REIT Index.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0119AU	**mFund Product Code**	SHF03
Commencement	30 November 2005	**Buy spread**	+0.25%
Management costs[1]	0.95% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$20,000	**Investment pool size**	$336.06 million

Unit Prices	Application	Net Asset Value	Withdrawal
30 April 2017	$ 0.4105	$ 0.4095	$ 0.4085

Performance as at 30 April 2017[2]	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.
Distribution Return	0.00	0.68	1.88	12.83	13.51	10.66	9.04
Growth Return	2.56	6.60	7.70	-2.55	1.20	5.57	5.37
Total Net Return	2.56	7.28	9.58	10.28	14.71	16.23	14.41
CPI + 3% pa	0.43	1.16	2.26	4.45	4.91	5.06	5.38
S&P/ASX 300 A-REIT Accum. Index	2.56	7.55	10.22	6.11	15.61	16.23	12.58

Top 5 holdings as at 30 April 2017
Westfield Corporation
Stockland Property Trust
Vicinity Centres
Scentre Group
Mirvac Group

Top 5 holdings represent 61.51% of the total Fund.

Distribution Period	Cents per Unit
31-Mar-16	0.1017
30-Jun-16	4.3860
30-Sep-16	0.1174
31-Dec-16	0.4447
31-Mar-17	0.2526

Asset Allocation as at 30 April 2017	
Australian REITS	93.67
Cash	6.33

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

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Commentary

The **S&P/ASX 300 Property Accumulation Index** rose 2.6% in April, outperforming both Global REITs (up 1.1%) and the broader market (S&P/ASX 300 Accumulation Index) which rose 1%. In a busy month in-terms of potential Merger and Acquisition ("M&A").

Domestic Economic Data

The latest quarterly CPI figures were released, showing a 2.1% annual uplift from a headline perspective, with it being slightly softer on a core basis. This was slightly weaker than anticipated including the composition. Given it is between the RBA's 2% to 3% range, the consensus is now that the RBA will not move on further Interest Rate cuts over the medium-term. Despite this, the Ten-Year Bond Yield firmed ~12 bps. The Terms of Trade was up materially, led by the rise in Commodity Prices but the Australian Dollar fell below US$0.75, as Iron Ore prices more recently fell markedly.

Other notable data points in April included a rise in Motor Vehicle Sales (but still down over the rolling 12-months) with Credit Growth slowing, due to the decline in Housing Investors. Dwelling Approvals increased but are still down from their late-2016 peaks, as the pace of Housing price growth was up ~13% over the rolling 12-months (Australia-wide). The PMI took another leg-up, consolidating its position in expansionary territory. Retail Sales were weaker than expected, producing a yearly growth rate of only 2.7%. Rising Job Ads suggest improvement Employment figures in the near-term, as the Unemployment Rate remained flat, despite a jump in actual employment levels, in-line with a rise in the Leading Index.

Overseas Economic Data

US economic data came in softer in April. Fed Officials continued to point to a more muted growth profile of Interest Rate rises going forward. This saw the 10-Year Bond Yield drop for the month by 10 bps to sub-2.3% despite rebounding later in the month, as the global markets reacted positively to the results in the latest round of the French Elections.

Headlining the soft US Data was the drop in annual GDP Growth to only 0.7%. This was via lower Consumer Spending (with Car Sales notably softer) as well as a cut-back in Inventories. Inflation was more muted, in-line with a drop in the Oil Price. On the other side of the ledger, Business and Housing Investment improved but the respective Sentiment Surveys were softer. Wage Growth registered an annual rise but only to 2.5%. Both the Unemployment/Under-Employment Rate continue to fall but the level of jobs growth is slowing, as the economy nears full-employment.

The **European** PMI continues to edge higher. Core Inflation rose above 1%, as the Unemployment Rate dipped below the psychologically important 10%-level. Retail Sales continued their growth off a low-base across the Continent, surpassing forecasts. The ECB left Rates on hold, as it sees that the Eurozone requires no further stimulus. In the **UK**, the PMI fell marginally but remains entrenched in expansionary territory as the economic data across the board continues to deteriorate, as the ramifications of BREXIT continue to manifest.

Japan's Inflation dipped back into negative territory, as Industrial Production reduced. Retail Sales rose but both Department Stores and Supermarket Sales growth were negative. The latest PMI readings showed a further moderate rise, consolidating in the expansionary range. The BOJ maintained the present policy settings, as the 10-Year Bond Yield intra-month dipped back into negative territory, before finishing marginally above zero once more.

In **China**, the latest economic data was largely positive, with Retail Sales, GDP, Industrial Production and Investment Spending all registering increasing growth rates. The PMI's continue to remain positive.

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